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| <p>BEACON HR/PAYROLL IMPLEMENTATION PROJECT RISK MANAGEMENT PLAN</p> |
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1. INTRODUCTION

The Beacon Project team will use Risk Management to minimize the impact of unplanned incidents on the project by identifying and addressing potential risks before significant negative consequences occur. Risk Management provides a disciplined environment to support proactive decision making to:

- Assess continuously what could go wrong (risks)
- Assess opportunities that present themselves that the project team should consider in relation to the overall execution of the project
- Determine the priority of identified risks and opportunities
- Implement strategies to respond and manage those risks or to act on opportunities.

1.1. Plan Objectives/Purpose

The purpose of this Risk Management Plan is to outline the Beacon Project's approach for managing risk, thereby helping to maximize the probability of project success. The Risk Management Plan will outline the formal four-step process for identifying, analyzing, and controlling risk. Risk Management will benefit the project by:

- Minimizing the consequences of negatively-impacting risks that may occur during the life of the project
- Promoting teamwork by involving project personnel at various levels of the project, focusing their attention on a shared vision, and providing a mechanism for achieving it
- Ensuring the project is meeting the business objectives of the State and the Beacon Project
- Fostering a proactive stance on the prevention, management, and tracking of project risks.

The body of this plan is not intended to serve as a project risk management user manual with detailed steps for configuring and using risk management tools or for executing risk management processes. Its purpose is to describe the approach, tools, processes, and project participants involved with managing the risks of this project. The plan seeks to provide clarity that the project team has considered all of the risk management challenges of a project and has included a comprehensive plan for addressing these challenges. The process for managing risk for this project is specified within Attachment A.

1.2. Risk Management Lifecycle

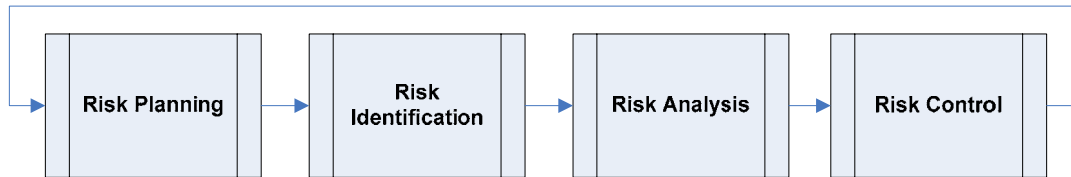


Figure 1 – Risk Management Lifecycle

1.2.1. ProvenCourseSM

BearingPoint's ProvenCourse delivery framework facilitates the integration of BearingPoint's solution implementations, methodologies, and delivery tools.

ProvenCourse provides:

- A single delivery framework to address specific needs locally and around the world
- A single framework to enable integration of the BearingPoint solutions
- A set of repeatable delivery assets that will improve accuracy and accelerate delivery.

The framework defines five phases and eight work streams covering the full engagement life cycle and a single Manage work stream encompassing all aspects of engagement management. The Manage work stream defines activities, techniques, and deliverables that are consistent with management processes supported by the Project Management Institute (PMI) and other project management-based standards. Within the Manage work stream is the Program Management, Project Management sub-work streams. The sub-work streams contain the risk management practices, upon which the author(s) based this document.

1.2.2. Risk Management Lifecycle Activities

- **Risk Planning**
 - Develop Risk Management Approach
 - Identify Risk Management Activities
 - Identify Roles & Responsibilities
 - Determine When to Perform Risk Management Process
- **Risk Identification**
 - Identify Risks
 - Document Risks
- **Risk Analysis**

- Determine Probability and Impact
- Develop Probability and Impact Matrix
- Validate Risks
- Categorize Risks
- Determine Cost and Schedule Impacts
- **Risk Control**
 - Develop Mitigation Strategies
 - Document Mitigation Strategies
 - Enter “Red” Risks in Project Schedule
 - Track Risks

1.3. Success Criteria

The criteria listed below identify how the Project Management Team will deem risk management successful as well as indicate if project members followed the risk management process during the planning, execution, and control phases.

Successful execution of risk management lifecycle activities will provide the project with:

- A repeatable approach for reassessing, analyzing, and controlling risks
- Identified risks and their potential impact on the project in terms of cost and schedule should they occur
- Risk categories to organize and track risks for root cause analysis and reporting purposes
- Project members who are aware of the project’s risks and effectively manage them
- Risk reports that accurately reflect the status of each risk.

1.4. References

The Beacon Project’s Risk Management Plan references principles from the following sources:

- A Guide to the Project Management Body of Knowledge. 3rd Edition. Newton Square, PA: Project Management Institute Inc., 2004.
- Verzuh, Eric. The Fast Forward MBA in Project Management. 2nd Edition. Hoboken, NJ: John Wiley & Sons, Inc., 2004.

1.5. Risk Management Plan Assumptions

For the purposes of this plan, the project team accepts the following assumptions as true:

- The State will collaborate with BearingPoint to develop the risk management approach, report content, and change control procedures as they pertain to risk management
- BearingPoint will have access to key personnel as necessary for risk planning
- All project members will receive training on the project's processes and risk management software tools
- All project members will adhere to the processes put in place to manage the project effectively and control risk and therefore, scope
- The State will support BearingPoint to conduct the Beacon Project in compliance with the requirements of the Capabilities Maturity Model Integration (CMMI®) Maturity Level Three. Project members will adhere to the processes put in place to manage the project effectively and control risk.

1.6. Risks Related to Managing Risk

The Project Team will manage risks according to the risk management process identified in this Risk Management Plan. This section identifies the following items as verifiable risks to the effective definition, verification, or control of project scope.

- Failure to follow risk management will adversely affect the Project Team's ability to meet the project's objectives
- Failure to identify and analyze risks will adversely affect the project's cost and schedule
- Lack of training will impact the project team's understanding on the proper use of the risk management function within the EPM Solution toolset and supporting processes
- Lack of State program or executive leadership support or buy-in could result in insufficient participation from team members.

2. RESOURCE REQUIREMENTS

The following describes the project team members and other stakeholders will participate in risk management:

2.1. Roles and Responsibilities

This purpose of this section is to help ensure that the right people are available, accountable, and have the necessary skills and expertise to perform the risk management processes required by this project.

The following table summarizes the overall role types and corresponding responsibilities pertaining to the Beacon Project risk management approach. In Attachment A, the Issue and Risk Management Process, roles are specified in further detail as relate to risk and issue management procedures and tool use.

| Role | Description of Role/Responsibilities |
|-------------------------------------|--|
| State Executive Management | <ul style="list-style-type: none"> Require a formal risk management process for Beacon Project. Provide sufficient resources for the proper conduct of risk management. Be a vocal/visible advocate for risk management activities. Perform required due diligence and project oversight by reviewing top project risks as identified in Beacon Project Status Reports. Support activities to control project risks as the project team escalates them for action. |
| State Project Manager | <ul style="list-style-type: none"> Be a vocal/visible advocate for risk management activities. Perform required due diligence and project oversight by reviewing project risks and ensuring completion of effective risk control activities. |
| BearingPoint Project Manager | <ul style="list-style-type: none"> Be accountable for the identification, analysis, and control of project risks. Be a vocal/visible advocate for risk management activities. Assign resources to draft and publish the Beacon Project Risk Management Plan. Ensure assigning adequate resources to risk management activities. Enforce the timely completion of all activities defined in the Risk Management Plan. Perform required due diligence and project oversight by reviewing project risks and ensuring completion of effective risk control activities. Conduct activities to control project risk as the project teams escalate them for action. Report top project risks to the State program and executive management. |
| Project Team Members | <ul style="list-style-type: none"> Report project risks, as they become known. Complete risk management activities as assigned. Perform steps of the risk planning, identification, analysis and control as defined in the Risk and Issue Management Process specified in Attachment A of this Plan. |

| Role | Description of Role/Responsibilities |
|---------------------------|--|
| Project Team Leads | <ul style="list-style-type: none"> Review and understand the Risk Management Plan. Be vocal/visible advocates for Risk Management activities. Compile updates to project risks from Project Team Members. Perform requisite steps of the risk planning, identification, analysis and control as defined in the Risk and Issue Management Process specified in Attachment A of this Plan. |
| PMO | <ul style="list-style-type: none"> Perform weekly review of issue/risk status for the program Generate issue/risk reports Prepare issue/risk management portions of weekly and monthly dashboard reports from information generated from the EPM Solution by PMO staff Participate in the management of issues/risks that are escalated to the program management team or state executive management |

2.2. Training Requirements

The roles listed above all require background experience to effectively perform the assigned duties and responsibilities. Training will also be of importance in being able to execute the roles and ensure project members perform to their fullest potential in risk management. It will be the responsibility of the BearingPoint Project Manager and Team Leads to maintain and improve the skills.

| Role | Required Skills | Required Training |
|---|---|--|
| State Project Manager BearingPoint Project Manager Team Leads Team Members | <ul style="list-style-type: none"> Understands the process for identifying, monitoring, and controlling risks. Experienced in identifying project risks. Able to manage risks for the project. Experienced in developing and implementing risk mitigation strategies. Able to use the EPM Solution to enter and track | Beacon Project risk management process and automated tools |
| PMO | <ul style="list-style-type: none"> Understands the process for identifying, monitoring, and controlling risks. Experienced in identifying project risks. Able to manage risks for the project. Experienced in developing and implementing risk mitigation strategies. Able to use the EPM Solution to enter, track and report on risks | Beacon Project risk management process and automated tools |

3. RISK MANAGEMENT APPROACH

3.1. Overview

Risk management is the overall process used to manage risks to the project. Risk management includes risk planning, identification, analysis, responses, and monitoring and controlling. The Beacon Project will use a four-step process for managing risks. The goal is to quickly, but effectively, move through the first three steps in order to begin the most important step (Control) as soon as possible.

1. Plan – Establish the project’s approach to managing risks.
2. Identification – Ensures proper identification and description of the project’s most significant risks.
3. Analysis – Enables the project team to quickly quantify and prioritize the risks identified in step 1.
4. Control – Provides a systematic method for mitigating the highest priority risks and/or ensuring adequate contingency plans are in place should the risk(s) occur. Provides for the effective communication of project risk status.

3.2. Risk Planning

Risk planning is the process of deciding how to approach and conduct the risk management activities of a project and results in the definition of the risk management approach, risk management process, risk roles and responsibilities, risk activities, risk training, risk categories, meetings, and risk tracking specifications. The Project Team will conduct Risk Management activities using the project scope statement, the Project Management Plan, the WBS, and historical information.

A core group of project members will meet as needed to review the Beacon Project Risk Management Plan using the inputs listed above. These project members include, but are not limited to, the BearingPoint Project Manager, State Project Manager, and other selected project members. These meetings will determine how the Project Team will manage risk, who will be responsible for the risks, how often to repeat the risk management process and any other issues relating to risk management. The BearingPoint Project Manager will update the Risk Management Plan when an appropriate board or individual identifies and approves changes or updates.

3.3. Risk Identification

The Project Management Body of Knowledge (PMBOK) defines risk as an event or condition that has either a positive or a negative effect on at least one project objective.¹ Risk identification determines which risks will affect the project and documents their characteristics. Initial risk identification occurs towards the end of the project’s planning stage. The Project Team must sufficiently define the project before the accurate identification of risks to the project can occur. Initial risk identification will require inputs of the project scope, risk management plan, project management plan, project schedule, draft budget, historical data and other initial

¹ A Guide to the Project Management Body of Knowledge. 3rd Edition. Newton Square, PA: Project Management Institute Inc., 2004, p. 238.

planning documents. Participants in this process will be the BearingPoint Project Manager, Team Leads, PMO staff and leadership, and other project members.

The Project Management Team may use the following methods to identify risks:

- Reviewing historical data
- SWOT Analysis, brainstorming
- Workshops
- Interviews
- Root cause identification
- Project schedule development.

3.3.1. Risk Identification Outputs

- **Risk Register** – The Project Manager creates a risk register that contains a list of identified risks, list of potential responses, and root causes of risks. The risk register for the Beacon Project will be stored within the EPM Solution.

Project risks will continue to emerge during the life cycle of the project. The Project Team will perform risk identification regularly throughout the project. As the risk management cycle iterates, the BearingPoint Project Manager will update the risk management component within the EPM Solution with more risks to incorporate the identified data.

3.4. Risk Analysis

3.4.1. Qualitative Risk Analysis

Qualitative risk analysis is the means for prioritizing risks for further action. The Project Team will review historical information from similar, past projects to understand how similar risks occurred and were mitigated; evaluates the project scope statement to determine if the project is a “common” project, a “first of its kind,” or highly complex project, which will determine the level of risk uncertainty; and reviews the risk register to evaluate identified risks. The Project Management Team will use the following methods to assist with qualitative risk analysis:

3.4.1.1. Risk Probability and Impact Assessment

Once risks are identified, the interviews are conducted with the Subject Matter Experts (SMEs) based on risk category. The participants conduct the analysis by scoring each risk on a scale of 1-5 in each are of probability of occurrence and business impact. Team members should keep in mind the impact to the cost and schedule, among other impacts, when scoring each risk. A single score is then calculated for each risk as the product of each risk’s probability of occurrence and business impact values. A priority value will be assigned based on the risk score. Risks with values ranging from 1 to 3 will be assigned a “low” priority, those with a value ranging from 4 to 12 a “medium” priority and those with a value ranging from 15 to 25 a high priority.

3.4.1.2. Risk Data Quality Assessment

The BearingPoint Project Manager, Team Leads, and Stakeholders will conduct an analysis of the quality of the risk data to evaluate the degree to which the risk is understood and the accuracy, quality, reliability, and integrity of the data about the risk. A key test of risk credibility will be whether or not the participants can tie back the risk to the WBS. If the participants cannot tie the risk to the identified risk factors, they will not be considering the risk as credible as it relates to the project, and, therefore, they will not track it.

3.4.1.3. Qualitative Risk Analysis Outputs

The results of the qualitative risk analysis process will include:

- **Risk Database Updates** – Team Members update the risk database within the EPM Solution. These updates may include newly identified risks; the priority of project risks; risks grouped by category; and risks that are being escalated.

3.4.2. Quantitative Risk Analysis

The Project Management Team performs quantitative risk analysis on risks prioritized during the qualitative risk analysis process as “red” or having increased potential to significantly impact the project in regards to cost, schedule, scope, and/or quality. The project team will review historical information, the project scope statement, the risk register, the project schedule and the project budget. Interviews with Team Leads and SMEs assist with quantifying the probability and impact of risks on the project’s objectives. Additionally, modeling techniques, such as decision tree analysis and what-if scenarios and simulations provide good indicators.

3.4.2.1. Quantitative Risk Analysis Outputs

The results of the quantitative risk analysis process will include:

- **Risk Register Updates** – The Project Manager will update the risk register. The updates may include estimates of potential project schedule start and finish dates and associated costs; the probability of achieving cost and time objectives; a prioritized list of quantified risks; and any trends in quantitative risk analysis results.

3.5. Risk Control

The objective of the risk control step is to ensure the Project Team has identified a plan to actively manage and control each of the project’s risks.

3.5.1. Risk Response Planning

Risk response planning analyzes the project’s deliverables as well as its technical and business environment. The Project Management Team will review the risk database and the Beacon Project’s Risk Management Plan for roles and responsibilities and risk thresholds. The Project Management Team will closely monitor and control the high probability impact risks based on the Risk Management Plan. The methods or strategies for risk response planning include avoidance, transference, mitigation, contingency plans, and acceptance.

For each risk that requires immediate action, the Project Team will choose one or more of the five strategies and will assign an owner to risk in the risk register to complete the required mitigation activities. Furthermore, the Project Team will define specific actions for counteracting the risk and will make assessments to determine how the project's budget and timeline could potentially be affected should the risk occur.

3.5.1.1. Risk Response Planning Outputs

The results of the risk response planning process include:

- **Risk Register Updates** – The BearingPoint Project Manager updates the risk register. The updates will include risk owners; agreed upon response strategies and specific actions to implement the chosen response strategy.

3.5.2. Risk Monitoring and Control

Risk monitoring and control is an iterative process of identifying, analyzing, and tracking risks and reviewing risk response plans. The risk monitoring and control process involves reviewing the Risk Management Plan for roles and responsibilities, the risk register, approved changed requests, performance reports, and work performance. The objective of this step is to ensure risks are being actively managed and mitigated to avoid negative impacts on the project schedule.

The PMO Team Lead is responsible for seeing to it that risk status data is updated weekly to report accurate information during Project Status Meetings and for Project Status Reports as per the Beacon Project Communications Plan. Once the BearingPoint Project Manager considers a risk to have been sufficiently mitigated or no longer a factor, the owner may “close” the risk and remove it from future status reports.

3.5.2.1. Risk Monitoring and Control Outputs

The results of the risk monitoring and control process may include:

- **Risk Register Updates** – The Project Manager will update the risk register. The updates will include outcomes of risk reassessments, risk audits, and risk reviews; the actual outcomes of the project's risks; and the actual risk responses that helped the Project Team mitigate risk
- **Requested Changes** – The Project Manager and team leads will submit changes to the project schedule per the risk management change control processes
- **Recommended Corrective Actions** – The Project Team will develop contingency and workaround plans as responses to risks
- **Recommended Preventive Actions** – The Project Team Leads will make updates to the project.

3.6. Repeating the Risk Process

It is necessary for the Project Manager to initiate a new risk management cycle with each new phase of the project, once a quarter, or whenever the project has undergone significant change, whichever occurs first. The risk management process continues iteratively then throughout the phase.

4. PROCESS INTEGRATIONS

This section defines how the performance in other project management processes relies on, or is influenced by, the managerial objectives, activities, and deliverables defined in this plan. The Project Manager must analyze and consider the effects created on other process areas before making changes to this plan.

4.1. Quality Management

The BearingPoint Quality Manager conducts quality reviews on a periodic basis to ensure the Project Team follows the risk management process and adheres to the guidelines set up for managing risk on the State project. The Risk Quality Management (RQM) Team will conduct these reviews as identified in the Beacon Project Quality Management Plan. Any changes or areas of improvement revealed by the RQM Team will result in an updated Risk Management Plan once the project team receives approval from the CCB.

4.2. Scope Management

The project's scope provides a common understanding of the project's objectives, deliverables, and the work required to meet those objectives and deliverables. Understanding and identifying the project's risks is just one piece of scope management that helps the project team to effectively plan, execute, and control the project.

4.3. Change Control

The Project Team will abide by the process specified in the Beacon Project Change Control Process to address risk management activities that expand the scope of the project.

4.4. Schedule Management

The project team will use the risk register during the activity estimation and schedule development process. Risks can affect an activity's duration and the Project Team Leads must determine how much extra time the activity would take to complete. The schedule development process uses the identified risks and their mitigation plans to support building out the project schedule.

4.5. Communications Management

The project team will organize and manage meetings required for the risk management process as documented in the Beacon Project Communications Plan. Meetings will address risk identification, planning, status gathering and data management.

4.6. Financial Management

The project team will consider identified risks when estimating and managing the project's costs. High-priority or "red" risks have the potential to delay a project and cause an increase in the project's costs. The Project Manager, Team Leads, and Project Sponsor will review the risk register to understand these risks, the potential probability and impact to the project, and how they may affect the schedule.